American Banker

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STATISTICAL REFERENCE INDEX
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TODAY

TECHNOLOGY TODAY

Stories on pages 14-16 include:

REPORTER'S NOTEBOOK: At the American Bankers Association bank card conference in Chicago last month, new strategies and plans were aired, from "affinity marketing" to cooperative efforts between Visa and MasterCard to prospects for credit cards in the People's Republic of China..... 14

THE BIGGER THEY ARE ... the less likely banks are to be allowed to fail, and the more likely the government will be forced to bail them out, or at least that's what the experts say in the third article in a four-part series on interstate banking..... 1

PRAISE FROM VOLCKER: The Fed chairman expressed approval for the IMF plan to use commercial banks to aid developing countries and said he plans to stay on the job..... 1

TAX BENEFITS: Citicorp and Morgan reported hefty gains in third-quarter earnings, due in part to a local tax revision..... 1

INTERNATIONAL BRIEFING: Japan has licensed Morgan Guaranty Trust Co. and Bankers Trust Co. to open wholly owned trust banking subsidiaries..... 2

TO THE RESCUE: Keeping its terms under wraps, the National Bank of Canada gave the troubled Mercantile Bank of Canada 24 hours to accept an offer to merge..... 2

IRA PROGRAM: Northwestern Mutual Life Insurance Co. plans to market its individual retirement accounts through direct mail and telemarketing..... 3

CALIFORNIA GAINS: Security Pacific, Wells Fargo, and Crocker National all reported big increases in third-quarter earnings..... 3

LEAVING FANNIE MAE: The word is that institutional investors have cut holdings of Fannie Mae mortgage securities to no more than 5% of their portfolios..... 3

In the News..... 3

MARKETING MANAGEMENT: Looking forward to the elimination of minimum balance requirements on NOW and money market accounts and the elimination of all restrictions and interest rate caps on deposits, Jack W. Whittle advises the industry to look before leaping..... 4

BACK PAGE: The last part in a three-part series on citizens group and union campaigns against First Bank System examines attempts by members of the United Food and Commercial Workers Local P-9 to pressure the bank to help resolve their strike against the Geo. A. Hormel plant in Austin, Minn..... 24

Quote

I'm here, I'm staying. Nothing is forever.

Federal Reserve Chairman Paul A. Volcker [1]

Unquote

Strong Quarter For Citicorp And Morgan

Revision in Local Tax Laws Boosts Money Center Profits

By JOHN P. FORDE

NEW YORK — Two of this city's largest money center banking firms — Citicorp and J.P. Morgan & Co. — reported large gains in net income Tuesday, thanks in part to a recent change in local tax laws.

3d-Quarter Earnings

Citicorp earned $227 million in the third quarter, a 14% increase from the $200 million in net income the company earned in the same period last year. On a fully diluted per share basis, quarterly net income of $1.60 was up 1% from the $1.42 in the same period last year.

However, the results represent a 3% decline from Citicorp's second quarter, when it earned $251 million, or $1.81 a share.

J.P. Morgan posted $209.4 million in third-quarter net income this year, up 73% from the $120.4 million the company earned in the third quarter of 1984. The results are also a 33% increase over the $157.4 million Morgan earned in this year's second quarter.

Earnings Up for Three in California, Page 3

Both companies cited a reduced tax bill and increased foreign exchange income as reasons for their increases over year-earlier periods. Morgan also was helped by Argentine interest payments, while Citicorp said the amount received during the quarter on its Argentine loans was "not significant in amount."

Citicorp said the change in New York State and New York City tax rates was reflected in an $18.7 million re-

➳ Citicorp: Page 7

AN AMERICAN BANKER SPECIAL REPORT

In Case of Big-Bank Failure ...

As New Giants Arise from Interstate Banking, So Do Concerns

By ROBERT TRIGAUX

WASHINGTON — Will interstate banking result in a surge of banks too large to be permitted to fail?

The answer is a qualified yes, among banking experts interviewed. Thanks to recent interstate mergers — and many more in the works — more and more banks are approaching sizes where takeover candidates with enough capital would be scarce and insured payoffs would overwhelm the Federal Deposit Insurance Corp. fund.

That's one of the ironic twists behind the push for "market discipline" and calls for deregulation. Should one or more of the growing number of big U.S. banks get into serious trouble, the government could be forced to ante up billions of dollars to keep the institutions afloat while searching for a permanent solution.

Following the collapse of the $40 billion Continental Illinois National Bank and Trust Co. last year, about a dozen banks with deposits exceeding $20 billion were unofficially listed as "too big to fail."

➳ Interstate: Page 20

This is the third article in a four-part series on interstate banking issues.

Volcker Lauds Third-World Debt Plan

By BARTLETT NAYLOR

WASHINGTON — Federal Reserve Chairman Paul A. Volcker, in his first public remarks on the Reagan administration's third-world debt initiative, Tuesday praised the plan for a consortium of major commercial banks to join with the International Monetary Fund in providing new loans to developing countries.

Because of economic improvement among these nations, the plan provides for "opportunities unprecedented in my working lifetime," Mr. Volcker told a group of international securities analysts gathered here for a conference sponsored by the American Stock Exchange.

Mr. Volcker also sought to quash renewed rumors that he might be moving to the World Bank to succeed World Bank President A.W. Clausen. Mr. Volcker said he plans to remain at the Fed. "I'm here, I'm staying," he said, though he added, "nothing is forever."

On the new lending plan, outlined Oct. 8 by Treasury Secretary James Baker at the IMF meeting in South Korea and backed by Mr. Volcker, major American banks would hike their lending to the 15 major debtor nations by $20 billion over the next three years.

Terms of the new commercial loans would include promises of internal economic reform among the debtors, Mr. Baker explained in his remarks at the meeting in Seoul.

On Tuesday, the Fed chairman also stressed that many developing nations will need to adopt strict new internal policies if new credit is to be extended.

➳ Volcker: Page 13

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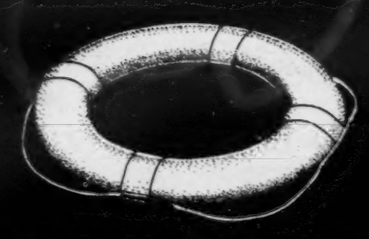

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AN AMERICAN BANKER SPECIAL REPORT

Interstate Mergers Bring a Bevy of Banks Too Big to Let Fail

Continued from Page 1

Now that number may balloon, banking officials suggest. Regional compacts have produced a flurry of big interstate mergers, with many consolidations by banks of between $5 billion and $10 billion in deposits. Many banks, in effect, are doubling their size in a hurry.

The question of big bank failures still is only whispered here in the nation's capital. Publicly, only a few federal regulators and elected officials have raised the issue. But dozens of banking trade group researchers and some of the biggest banks, which have some very big interests to protect, are scrambling to publish white papers and influence government officials before passage of any new laws decides the matter.

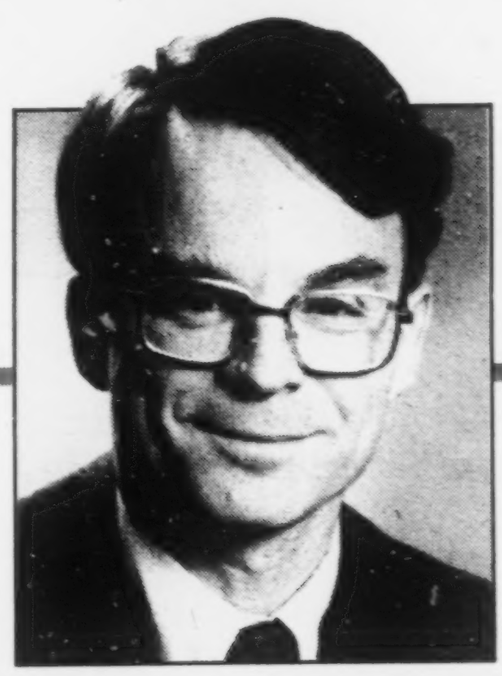
That some banks can fail while others cannot is an industry inequity that — ever since Continental Illinois — bothers the thousands of smaller and regional banks. They view the problem as discrimination against smaller institutions that could eventually hurt their ability to compete for deposits.

Others believe any bank can be allowed to fail as long as its troubles are caught by regulators soon enough. Then, says H. Rodgin Cohen, a lawyer with the New York law firm of Sullivan & Cromwell and a veteran of the Continental Illinois bailout, there may be time for the institution to be sold off before it gets in worse shape. The move to interstate banking, he suggests, should make takeovers of large, troubled institutions easier than under current banking structures.

The biggest banks 'are perceived as too big too fail. As giant banks want to go interstate with deposit-taking, people will want to consider using them [over smaller banks.] It's not fair.'

— Kenneth Guenther, executive director of the Independent Bankers Association of America.

Martha Seger, the Federal Reserve governor, likes the idea of interstate banking, but, as a regulator, concedes that a proliferation of giant banks is unsettling.



'The rapidity by which a large bank can lose its funding base is frightening. If large depositors are not assured of getting 100 cents back on their dollar, they will have no interest in staying with a large bank. This is risk-adverse money going into these banks.'

— H. Rodgin Cohen of Sullivan & Cromwell.

"Would interstate banking result in the formation of banks that would be too large to be permitted to fail? Certainly, over time, the largest banks would be much larger — on a relative

→ Interstate: Page 22

'At some point in size, it is a negative [in dealing with the largest banks.] I do not know what the magic number is in terms of how big an institution is.'

— Stanley C. Silverberg, director of the FDIC's division of research and strategic planning.

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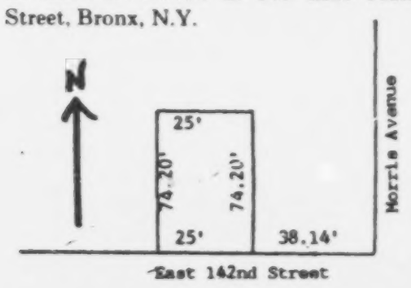
Notices of Foreclosure

SUPREME COURT- COUNTY OF BRONX Federal National Mortgage Association, Plaintiff against Roberto Ayala, et al Defendant(s) Pursuant to a judgment of foreclosure and sale, entered herein and dated May 17th, 1984, I, the undersigned Referee, will sell at public auction at the Bronx County Courthouse, 851 Grand Concourse, Bronx, N.Y., in Room 118, Mezzanine, on the 30th day of October, 1985, at 10:00 A.M., premises with diagram, briefly described as follows: On the north side of 142nd Street, 38.14 feet west of Morris Avenue, being a plot 74.20 feet x 25 feet and known as 263 East 142nd Street, Bronx, N.Y.



Approximate amount of lien $ 12,963.28 with interest and costs. Premises will be sold subject to provisions of filed judgment, Index Number 6325/84, Dated: October 9th, 1985, F. Agatha Barnes, Referee, Sidney Schneider Attorney(s) for Plaintiff, 3450 Fulton Street, Brooklyn, N.Y. 11208.

Auction Notices

C LAUDISI & ASSOC. INC, Auctrs Sell Oct 24, 1985 at 9 AM at 600 Clarkson Ave, Bklyn, NY 1977 Olds 3E69C7W107321 Acct I.M. Leamon; 10 AM at 1256 Grand St, Bklyn, NY 1979 Plym HL41D9F117286 Acct A. Shea; 11 AM at 1114 36 St, Bklyn, NY 1982 AMC 2CCCK3859CB718761 Acct E. Bongiovanni; 1977 Buick 4X69J7E111565 Acct W. Simpson; 11:30 AM at 1128 36 St, Bklyn, NY 1982 Cad 1G6AB6983C9211920 Acct Armored Express, Inc. 12 Noon at 11 Meserole St, Bklyn, NY 1977 Cad 6D6957Q331695 Acct R. Diaz, 1976 Chev CGD156U170242 Acct G. Diaz; 1 PM at 63-43 Forest Ave, Queens, NY 1980 Ford 0F02A226416 Acct P.M. Niven; 2 PM at 27-02 43 Ave, Queens, NY 1974 Volvo 1426363430072 Acct S. Drivas; 3:30 PM at 1491 Jerome Ave, Bx, NY 1984 Plym 1P3BM44C0ED326356 Acct R. Lillo; Published Oct 9, 16, 1985.

Auction Notices

B. KOMITO DCA LIC# 768450 &/OR M. SKOLNICK DCA LIC# 793108 Sell, October 23, 1985 1338 39th St Bklyn 10:30 A.M. 1977 Ford Van E25HHZ16258 Re: Exxon Corp. 6852: 11:00 A.M. 1323 65th St Bklyn 1980 Chevrolet Van CGM35A4146803 Re: J. Santi: 11:30 A.M. 201 62nd St Bklyn 1981 Ford 4 Dr Sdn 2FABP31F5BB124619 Re: Nowata Taxi Corp.: 12:15 P.M. 24-10 40th Ave Queens 1978 Ford 2 Dr Sdn 8E93F150817 Re: D. Faye & D. Oliver: 12:45 P.M. 110-17 Sutphin Blvd. Queens 1968 Ford 2 Dr Sdn 8T02J147664 Re: A. Perez: 1:15 P.M. 169-09 Liberty Ave Queens 1979 Ford 2 Dr Sdn 9F03F481588 Re; S. Llewellyn: 1:45 P.M. 108-23 Merrick Blvd. Queens 1977 Oldsmobile 4 Dr Sdn 3X69K7E117268 Re; N. McGregor: 2:15 P.M. 140-06 Farmers Blvd. Queens 1970 Volkswagon Van 2202044761 Re: L. Fye: 2:45 P.M. Bldg. 134 J.F.K. Int'l Airport Queens 1976 Cadillac 4 Dr Sdn 6F23S6Q185074 Re: A. Gonzalez: 3:15 P.M. 371 Newport St Bklyn 1975 Buick 2 Dr Sdn 4Z87T5H405037 Re: C. Johnson: 3:45 P.M. 5711 Preston Court Bklyn 1975 Plymouth 4 Dr Sdn VH41C5F197895 Re: Gateway Auto Parts:4:15 P.M. 1358 Utica Ave Bklyn 1981 Cadillac 2 Dr Sdn 1G6AD4798B9141047 Re: M. Zirpoli.

B. SPERBER DCA LIC# 794803 &/OR S. SPERBER DCA LIC# 769437 sell, Oct 31, 1985 2021 3rd Ave NYC 10:30 A.M. 1976 Ford 2 Dr Sdn 6T10Y128211 Re: G. Geyer: 10:45 A.M. 1025 5th Ave NYC 1973 Mercedes Benz 4 Dr Sdn 11603212006918 Re: M. Droutzkoy: 11:15 A.M. 155 E. 38th St NYC 1969 Ford 2 Dr Sdn 9Y3N125980 Re: S. Wolas: 11:30 A.M. 240 E. 27th St NYC 1967 Ford 2 Dr Convt 7T103T235936 Re: P. Siegal: 12:00 Noon 790 Washington St NYC 1973 Cadillac 4 Dr Sdn 6F33R3Q190780 Re: Lady Limo: 12:15 P.M. 166 Perry St NYC 1970 AMC 4 Dr Jeep 141416953 Re: E. Fayourakis, 1977 Dodge Van B31BF7K139297 Re: R. Kronbichler: 12:30 P.M. 248 Spring St NYC 1976 Cadillac 2 Dr Sdn 6D47S6E613072 Re: P. Vevereto.

CORRECTION NOTICE B. KOMITO DCA LIC# 768450 &/OR M. SKOLNICK DCA LIC# 793108 sold Oct. 15, 1985 1380 Atlantic Ave Bklyn 1:45 PM 1977 Ford 2 Dr Sdn 7G87H113457 Re: P. Barnes.

Auction Notices

Edward F. Fazio, auctr. sells 9 A.M. on 10/16/85at 2420 Amsterdam Ave. 1977 Nercury 7E34F526466 Re: M. Maodonado; 1976 Chrysler CL41N6C161820 Re: C. Richardson &/or R.L. Brown; 10 AM 1828 Webster Ave. 1979 Audi 4392119170 Re: J.L. High, 1982 Ford 1FBHS31G4CHB51542 Re: HSA UWC Educ., NY, 1981 Ford 2FABP31F1BB147296 Re: E.L. Walker; 11 AM 1898 Boston Rd. 1948 Ford B0EG153887 Re: B.R. Veintimilla; 12 PM 121 Bruckner Blvd. 1971 Chevy 1366911501343 Re: Hippodrome Trams, Inc., 1 PM 58-01 Queens Blvd. 1979 Chevy CGD1594168624 Re: J. Hayes; 3 PM at 1110 Route 109 1974 International 10672DHA23565 Re: Ind. Bev. Corp. Published 10/9 & 16/85.

R. EZERSKY sells R/T/I 10/23/85 11:45 AM at 325 E 149th St Bx, NY 1983 Mercury 1MEBP94F2DZ648317 Re: Tsekam Painting Corp., 1984 Datsun JN1PS24S0EW622315 re: T.W. McCoy, 1983 Honda JH2HD0400DK301743 Re: D. Rodriguez, 1977 Yamaha 1J7112370 Re: R. Alfisi, 1977 VW 1172007824 Re: C. Clavijo, 1974 Lincoln 4Y82A815538 Re: T. Robinson, 1976 Ford E04BHA12015 Re: J.G. Zadubara, 1977 Honda SJE2041090 Re: Princeton VW Ltd., 1981 Pontiac 1G2AY3753BT149993 Re: J.A. Franco, 1982 Toyota JT2RA64C0C6074377 Re: C. Pitt. Published 10/9 & 16/85.

William Cohen, auctr. sells 10/19/85 9 AM at 8910 Church Ave. 1978 Pont. 2D35U8B139973 Re: M. Rosen; Noon 172 W. Fordham Rd. 1984 Olds 1G3AY69Y3EM754244 Re: G. Spiro; 1 PM 1249 Fifth Ave. 1967 Cad. 57188708 Re: R. Johnson, Jr.; 2 PM 3645 Dyre Ave. 1982 Buick 1G4AP6941CH400224 Re: S. Wilson et al; 3 PM at 272 Bch 116 St. 1983 Pont. 2G2AJ37A8D2222876 Re: J. Johnson et al; 4 PM at 3610 Dyre Ave. 1977 Datsun NY27939 Re: A. Pessoa; 4:30 PM 1249 Fifth Ave. 1980 Dodge ZL24AAD226535 Re: A. Covelli et al.

We want to hear from you.

Send your opinions, observations, and comments to William Zimmerman, Editor, American Banker, One State Street Plaza, New York, New York, 10004.

Partnership Notices

539-156 ASSOCIATES, 146 W 79 St., NYC. Substance of Certificate of Limited Partnership filed in the New York County Clerk's Office on Sep. 30, 1985. Business: Own and operate real property. General Partners (GPs): Mark Ramer, 98-76 Queens Blvd., Forest Hills, NY. Michael Saperstein, 98-76 Queens Blvd., Forest Hills, NY. Limited Partner (LP), Cash contribution and share of profits: Michael Saperstein, 98-76 Queens Blvd., Forest Hills, NY, $167,000 and 45%. Term: Until Dec. 31, 2035 unless sooner terminated. Additional contributions required by LPs. LPs may substitute an assignee in their place. Upon the death, retirement or insanity of a GP, remaining GP may continue.

LORRAINE STREET ASSOCIATES, c/o Central Properties, Inc., 104 E 40 St, Suite 707, NYC. Sub of Cert of Ltd Ptnrshp filed NY Co Clks Office 9-13-85. Buss: Invest in real property. Gen Ptnrs: Abraham A. Mendel, 1223 E 27 St., Bklyn, NY; Solomon J. Borg, 1297 E 21 St., Bklyn, NY. Ltd Ptnr. Cont & Share of Profits: Florence Mendel, 1223 E 27 St., Bklyn, NY, $1.00. 1%. Term: Until 12-31-2030 unless sooner terminated. Cont returned upon termination, unless sooner by GP. No LP may sub assignee w/out consent of GP. Addtl LPs may be admitted. No priority among LPs. Remaining ptnrs may continue buss on incapacity of a GP. No LP may demand property other than cash for contrbn.

Foundation Notice

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The annual report of **NORTHEAST HIGH SCHOOL ALUMNI FOUNDATION** is available at its principal office located at 600 E. Cathedral Road (E 105), Philadelphia, PA, (215) 483-9358, for inspection during regular business hours (10:00 A.M. to 4:00 P.M.) by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Robert F. Brown.

Partnership Notices

UNION SQUARE - 14th ST. ASSOCIATES, c/o Gilrin Holding Corp., 502 Park Ave., NYC. Substance of Certificate of Limited Partnership filed in the New York County Clerk's Office on September 19, 1985. Business: Own and operate real property. General Partners (GPs): Gilrin Holding Corp., c/o William Zeckendorf, 502 Park Ave., NYC.; KG Union Sq Corp., c/o KG Land New York Corp., 1180 Avenue of the Americas, NYC. Limited Partners (LPs), Cash contribution and Share of Profits: Irwin Ackerman, 38 E 85 St., NYC, $10 and 10.53%.; Hirschfeld Realty Union Square Corp., c/o Elie Hirschfeld, Hirschfeld Realty, 36 E 61 St., NYC; Milatom Holding Corp., c/o Milgrim, Thomajan, Jacobs & Lee, P.C., 405 Lexington Ave., NYC, $10 and 8.78% each. Term: Until Dec. 31, 2010, unless sooner terminated in accordance with terms of the Agreement. Additional contributions are not required by LPs. GP and LP contributions to be returned upon dissolution. LP may assign its interest upon consent of GPs. No LP shall demand and receive property other than cash in return for its contribution. GPs may admit additional LPs. No priority among LPs as to contributions or compensation.

1100 VINE ASSOCIATES, 1123 Bway, NYC. Substance of Certificate of Limited Partnership filed in the New York County Clerk's Office on August 23, 1985. Business: Own and operate real property. General Partners (GPs): William Wright, 112 Greene St., NYC.; Jay R. Levy, Inc., 140 Fifth Ave., NYC.; Wright-Levy, Inc., 1123 Bway, NYC. Initial Limited Partner (LP), Contribution and Share of Profits: Marilyn K. Willems, 83-44 Lefferts Blvd., Kew Gardens, NY., $10 and 1%. Term: Until Dec. 31, 2034, unless extended or sooner terminated. No additional contributions are required by the Initial LP. Return of all Partners contributions, upon dissolution. No LP may substitute an assignee in his place, without consent of GPs. Gps may admit additional LPs. No priority among LPs as to contributions and compensation. Upon dissolution or withdrawal of sole remaining GP, remaining Partners may elect to continue.

AN AMERICAN BANKER SPECIAL REPORT

What Do We Do About the Boom in Banks Too Big to Let Fail?

Continued from Page 20

basis — than the largest banks today," she told bankers earlier this year.

"There would be few potential acquirers of a failed giant nationwide firm."

In an interview, Stanley C. Silverberg, director of the FDIC's division of research and strategic planning, said interstate banking will actually aid the handling of banks with $5 billion in deposits and more because more banks will be able to bid for a troubled institution before it fails. "Interstate provides flexibility," he says.

But Mr. Silverberg concedes there will be problems in dealing with the largest banks. "At some point in size, it is a negative. I do not know what the magic number is in terms of how big an institution is," before finding a solution becomes difficult.

Nevertheless, Federal Reserve Chairman Paul A. Volcker sees merit in interstate banking. Outgoing FDIC Chairman William Isaac has pushed the idea, and his designated successor, William Seidman, is known to be an interstate advocate. Acting Comptroller of the Currency H. Joe Selby endorses similar positions, as do Reagan administration officials.

Too-Big-to-Fail Total Could Top 30

Many banking observers argue that "too-big-to-fail" banks could increase in a few years from today's dozen to 25, 30 or more. And that's creating a dilemma for banking's public policy officials, who generally have been eager to push geographic deregulation.

Look at recent statistics:

- Deposits at Citicorp, the nation's largest bank holding company, grew nearly $7 billion to more than $97 billion in the first six months of this year.
- The 20th largest bank holding company, the InterFirst Corp., has more than $17 billion in deposits. It is comparable in size to the entire deposit insurance fund of the FDIC, which backs deposits held in accounts of $100,000 or less.
- Recent mergers and acquisitions produced a $13 billion-deposit institution in SunTrust Banks Inc. in Atlanta, a nearly $11 billion-deposit PNC Financial Corp. in Pittsburgh, and an $11 billion-deposit Bank of New England Corp. in Boston. Many more deals between large institutions are in the works, and additional regional interstate banking pacts are being formed.

Notably, not all of the giant banks have kept silent on the failure issue. Recent stands by the biggest banks actually favor a system in which all banks can be allowed to fail.

At Chase Manhattan Bank in New York, vice president Alice Haemmerli suggests structuring a banking firm to "quarantine" or financially insulate a 100%-insured consumer bank subsidiary from the rest of an otherwise uninsured banking firm.

In addition, the Association of Reserve City Bankers is putting together the report of a task force headed by George J. Vojta, executive vice president of Bankers Trust Co. While not yet an official association position, the task force favors a supervisory system in which all banks can fail.

"The idea of a bank being too big to fail is not a good idea," says Reserve City director Tony Cluff, who notes that the FDIC fund is "really to insure the small depositor."

Citicorp Endorses Modified Payoffs

Thomas Huertas, vice president and assistant to Citicorp chairman John Reed, has co-authored a white paper on deposit insurance. In testimony before Congress on Oct. 2, Mr. Huertas said Citicorp endorses the handling of big bank failures by using a modified payoff — where only insured depositors are paid off in full by the government.

"Under a modified payoff approach no bank would be too big to fail. This is fair to banks, fair to depositors, and fair to the FDIC," Mr. Huertas said. The use of modified payoffs has been endorsed recently by the American Bankers Association.

Such arguments sound convincing, scoffs Kenneth Guenther, executive director of the Independent Bankers Association of America, but the reality of the marketplace is different.

"The Achilles heel of Citicorp's paper — while an intellectual argument can be made — is it remains a theoretical argument because the discipline of failure will not be applied to Citicorp" and other giant banks, Mr. Guenther says.

Mr. Silverberg at the FDIC has similar views. "Citibank is pushing modified payouts for handling bank failures. They have come here and visited and talked. But Citibank takes a view that 'we are not a failure candidate.'

Martha Seger, the Federal Reserve governor, likes the idea of interstate banking, but, as a regulator, concedes that a proliferation of giant banks is unsettling. 'Would interstate banking result in the formation of banks that would be too large to be permitted to fail?'

"The reality is: If you did more payoffs, the question of whether you pay off a really big bank is still questionable."

These biggest banks are "perceived as too big too fail," says Mr. Guenther, a representative of many of the nation's community banks. As this message of "no-fail" reaches the consumer, and "as giant banks want to go interstate with deposit-taking, people will want to consider using them" over smaller banks that can fail and be closed, he said. "It's not fair."

Mr. Cohen of Sullivan & Cromwell does not like the idea of modified payoffs for the giant money center banks.

"The rapidity by which a large bank can lose its funding base is frightening," he says. "If large depositors are not assured of getting 100 cents back on their dollar" — which would be the case under a modified payoff plan — "they will have no interest in staying with a large bank. This is risk-adverse money going into these banks."

Mr. Guenther, like many players in the banking business, feels at a loss to suggest a specific solution to the problem. He does not favor 100% insurance backing of all bank deposits. "If these [giant] banks are getting special benefits from the FDIC fund, they create a systemic risk to the fund in the same way Continental did. Those banks should pay for that systemic risk" — perhaps by paying more for insurance, he ventures.

Representing the largest banks, Tony Cluff of the Association of Reserve City Bankers acknowledges the problem image of big banks. "It is perceived as self-serving that big banks will say, 'No bank is too big to fail.'

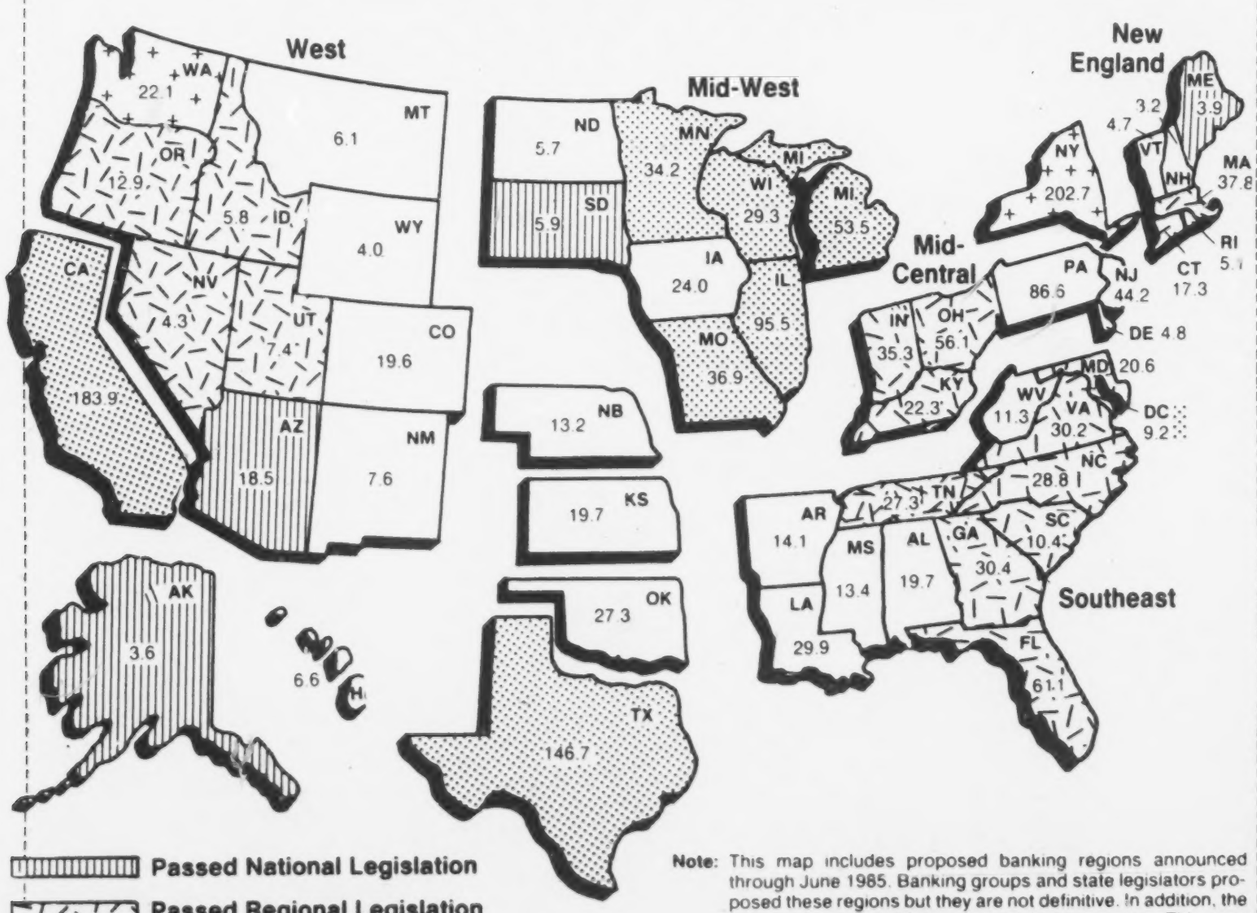
"The question is: How to fail a big bank without having the world fall apart? It can become a macro question in the hands of regulators, an issue of international monetary concern."

Indeed, wrestling with how to handle the biggest banks extends to academic circles, too. In a discussion paper this year, George G. Kaufman, a professor of finance at Loyola University in Chicago, asked what the implications are of one or more large banks be-

➡ Interstate: Page 23

Principal Interstate Banking Regions Being Considered by the States

(As of June 1, 1985) *1984 Year End Commercial Bank Deposits in Billions of Dollars*



- Passed National Legislation
- Passed Regional Legislation
- Proposed Legislation
- Passed National Reciprocal Legislation
- No Legislation Actively Pending

Note: This map includes proposed banking regions announced through June 1985. Banking groups and state legislators proposed these regions but they are not definitive. In addition, the laws and proposed laws are not homogeneous. This map does not indicate states with limited purpose, grandfathered, or troubled institution laws.

Source: Federal Reserve Bank of Boston

Partners in Pending or Completed Interstate Deals

New England	
CBT Corp.	Bank of New England Corp.
Hartford, Conn.	Boston, Mass.
Bank of Boston Corp.	**Colonial Bancorp Inc.**
Boston, Mass.	**Waterbury, Conn.**
Bank of Boston Corp.	RIHT Financial Corp.
Boston, Mass.	Providence, R.I.
Hartford National Corp.	**Aritru Bancorp Inc.**
Hartford, Conn.	**Lawrence, Mass.**
Hartford National Corp.	Rhode Island National Bank
Hartford, Conn.	Providence, R.I.
Fleet Financial Group	**Fleet National Bank**
Providence, R.I.	**Boston, Mass.**
Fleet Financial Group	Fleet National Bank
Providence, R.I.	Hartford, Conn.
Fleet Financial Group	**First Connecticut Bancorp**
Providence, R.I.	**Hartford, Conn.**
Fleet Financial Group	Merrill Bankshares Corp.
Providence, R.I.	Portland, Maine
The Southeast	
Sun Banks Inc	Trust Company of Georgia
Orlando, Fla.	Atlanta, Ga.
Citizens & Southern	**Landmark Banking Corp.**
Georgia Corp.	**Fort Lauderdale, Fla.**
Atlanta, Ga.	
Citizens & Southern	Citizens & Southern Corp.
Georgia Corp.	Charleston, S.C.
Atlanta, Ga.	
Wachovia Corp.	**First Atlanta Corp.**
Winston-Salem, N.C.	**Atlanta, Ga.**
First Union Corp.	Atlantic Bancorp.
Charlotte, N.C.	Jacksonville, Fla.
First Union Corp.	**Central Florida Bank Corp.**
Charlotte, N.C.	**Dade City, Fla.**
First Union Corp.	Southern Bancorp.
Charlotte, N.C.	Greenville, S.C.
NCNB Corp.	**Bankers Trust of S.C.**
Charlotte, N.C.	**Columbia, S.C.**
NCNB Corp.	Pan American Banks Inc.
Charlotte, N.C.	Miami, Fla.
NCNB Corp.	**Southern Nat' Bankshares**
Charlotte, N.C.	**Atlanta, Ga.**
Sovran Financial Corp.	D.C. National Bancorp
Norfolk, Va.	Washington, D.C.
Sovran Financial Corp.	**Suburban Bancorp**
Norfolk, Va.	**Bethesda, Md.**
Bank of Virginia Co.	Union Trust Bancorp
Richmond, Va.	Baltimore, Md.
Southern National Corp.	**Horry County National Bank**
Lumberton, N.C.	**Loris, S.C.**
First American Corp.	First Ashland Corp.
Nashville, Tenn.	Ashland, Ky.
United Va. Bankshares	**Bethesda Bancorp**
Richmond, Va.	**Bethesda, Md.**
United Va. Bankshares	NS&T Bank
Richmond, Va.	Washington, D.C.
James Madison Ltd.	**McLean Bank**
Washington, D.C.	**McLean, Va.**
James Madison Ltd.	First Continental Bank
Washington, D.C.	Silver Spring, Md.
The West	
Zions Utah Bancorp	Nevada State Bank
Salt Lake City, Utah	Las Vegas, Nev.
Moore Financial Group	**Continental Bank & Trust**
Boise, Idaho	**Salt Lake City, Utah**
BankAmerica Corp.	Oregon Bank
San Francisco, Calif.	Portland, Ore.
The Midwest	
NBD Bancorp Inc.	Midwest Commerce Corp.
Detroit, Mich.	Elkhart, Ind.
Huntington Bankshares	**Central Bancorp**
Columbus, Ohio	**Danville, Ind.**
Huntington Bankshares	Commonwealth Trust Co.
Columbus, Ohio	Covington, Ky.
Fifth Third Bancorp	**American Bancorp**
Cincinnati, Ohio	**Newport, Ky.**
Banc One Corp.	Purdue National Corp.
Columbus, Ohio	Lafayette, Ind.
National Deals	
Security Pacific Corp.	Arizona Bancwest Corp.
Los Angeles, Calif.	Phoenix, Ariz.
Union Bancorp Inc.	**United Bancorp of Arizona**
Los Angeles, Calif.	**Phoenix, Ariz.**
Citicorp	Great Western Bank & Trust
New York, N.Y.	Phoenix, Ariz.
Bank of Boston Corp.	**Casco-Northern Corp.**
Boston, Mass.	**Portland, Maine**
Norstar Bancorp Inc.	Northeast Banksh. Assoc.
Albany, N.Y.	Portland, Maine
Norstar Bancorp Inc.	**Bank of Maine**
Albany, N.Y.	**Augusta, Maine**
Bank of New England	Maine National Corp.
Boston, Mass.	Portland, Maine
KeyCorp	**Depositors Corp.**
Albany, N.Y.	**Augusta, Maine**
Fleet Financial Group	Merrill Bankshares Corp.
Providence, R.I.	Portland, Maine
KeyCorp	**Alaska Pacific Bancorp**
Albany, N.Y.	**Anchorage, Alaska**
KeyCorp	First Interstate Bank
Albany, N.Y.	Anchorage, Alaska
Rainier Bancorp.	**Peoples Bank & Trust Co.**
Seattle, Wash.	**Anchorage, Alaska**

AN AMERICAN BANKER SPECIAL REPORT

Can Big Banks Be Allowed to Fail? Answer Is Yes, No, and Maybe

Continued from Page 22

ing declared insolvent and being taken over the by the FDIC. His answer reflects the reality bank regulators faced in the summer of 1984 with Continental Illinois.

"Liquidation is obviously not an efficient solution, nor is it generally practiced for larger nonfinancial bankrupt firms. Large banks are no longer, if they ever were, physically closed and boarded up."

Was there ever consideration given to failing Continental and paying off its insured depositors? After all, for all of its immense size, Continental had only $3 billion in insured funds. Some free market critics say closing the bank and paying off insured deposits, in the form of a modified payoff, might have been cheaper for the FDIC in the long run.

It was "never a feasible option for the regulators," the FDIC's 1984 annual report states. This suggests to many observers that the FDIC today and in the near future will not hazard a payoff of any institution similar in size to Continental — and whose insured deposits in nearly every case would be substantially more than Continental's.

Paying off Continental's insured depositors, the FDIC says, means that "uninsured depositors and other private creditors with over $30 billion in claims would have had their funds tied up for years in a bankruptcy proceeding awaiting the liquidation of assets and the settlement of litigation. Hundreds of small banks would have been particularly hard hit."

Shrinking Pool of Potential Buyers

Interstate banking also may reduce a healthy bank's incentive and ability to buy a failed bank. Before regional pacts, entry to markets across state lines was largely restricted to buying a failed institution for a premium from the government. But now interstate mergers have committed the capital of many healthy banks, effectively eliminating some potential buyers from bidding on failed banks.

Mr. Silverberg of the FDIC believes the agency could find buyers for a $20 billion-deposit bank — should one fail. In such a case, the transaction would probably be handled by purchase and assumption, in which a healthy bank assumes the deposits and other liabilities and purchases some of the assets of the failed bank.

"There are a lot of institutions based on their size that can absorb a $20 billion institution," Mr. Silverberg said. "The acquiring bank must find a way to capitalize the failed bank, and there could be some relaxation of regulatory standards" to aid an acquiring bank, he suggested. Foreign banks are another resource the FDIC will tap when in need of potential buyers of a large bank, Mr. Silverberg said.

He criticized bank holding company laws for making it unattractive for large corporations, such as the IBM Corp., to be sought as bidders.

"I do not think it would hurt the system and, again, it would expand our options in dealing with large problem banks."

NEXT: The problems of regulating sprawling, multistate banking companies.

Big Banks Rely More on Uninsured Deposits

Total Domestic Deposits (millions)	Number of Banks	Uninsured Deposits/ Total Deposits* (in %)
$5,000 +	26	68.1
$100 to $5,000	1,990	30.8
Less than $100	12,437	3.0
Total	14,453	37.6

*Figures refer to insured commercial banks as of June 30, 1984.
Source: DRI, Sheshunoff Data.

IRA Watch . . .

Continued from Page 3

interest paid on IRA loans is tax deductible.

Normally, the IRS does not allow deductions for interest paid on indebtedness incurred to buy tax exempt obligations. However, the recent ruling said that interest paid on indebtedness incurred to contribute to an IRA does not apply to the rule.

The difference is that IRA earnings are tax-deferred, not tax-exempt; they are eventually taxed when account holders receive their distributions. As a result, interest paid on money borrowed to open an IRA is not the same as that on money borrowed to make a tax-exempt investment. Thus, it may be deducted along with other interest expenses.

The IRS also dropped a requirement that an IRA buyer must have spousal consent before receiving early retirement benefits.

The IRS said that "a married [IRA plan] participant who retires may elect, without the consent of the participant's spouse, to begin receiving a qualified joint and survivor annuity before attaining the later of age 62 or the normal retirement age."

■

The Madison, Wis.-based Credit Union National Association says that 30% of all credit union members have opened IRAs.

According to the Employee Benefit Research Institute in Washington, D.C., only 16.5% of the population as a whole have opened IRAs. What accounts for the credit union's seemingly greater conversion rate?

Judith Hansen, director of training for CUNA Service Group Inc., said the 30% figure referred to credit union members of age 18 and older. In addition, "a lot of credit unions are still company-sponsored — meaning the members are employed, they're not retired, and they do not fall into the poverty level." In total, she said, credit unions have opened approximately 12 million IRAs.

■

Dreyfus Corp., a New York-based mutual fund group, has introduced a new IRA program in which individuals may invest in Government National Mortgage Association securities and have the flexibility to shift to insured bank certificates of deposit or a government money market fund.

Dubbed the "protected IRA," the program features the Dreyfus GNMA Fund, which currently has a seven-day annualized yield of approximately 11½%. From there, investors have the option of shifting into one- or two-year bank CDs or U.S. Treasury bills and other short-term government instruments through the firm's government money market fund.

Minimum investment requirement for the program is $750. There are no sales loads. ■

Junction City Approved

ST. LOUIS — The Federal Reserve Bank of St. Louis has approved the application of Junction City Holding Co., Junction City, Ark., to become a bank holding company through the indirect acquisition of Union State Bank, Junction City, by acquiring its parent company, Junction City Bancshares Inc. ■

IBM Introduces Token-Ring Network

By DAVID O. TYSON

NEW YORK — International Business Machines introduced Tuesday a high-speed, local-area network system based on the token-ring technology that the company favors.

A local area network, or LAN, connects information processing equipment within a building, campus, or other defined area. The IBM Token-Ring Network initially will run on IBM PCs.

The long-awaited announcement was six months ahead of schedule, the company noted. It was the major item in simultaneous announcements of new IBM products, including an extension of the specifications of the IBM Cabling System to include low-cost, unshielded telephone twisted pair wiring. IBM said this allows many customers to use already installed telephone cable to connect devices such as those on a token-ring LAN.

A token-ring network is designed to avoid collisions among messages passing among users. The token is not an object but rather an electronic package of information moving around from one PC to the other. The package includes the sender's address, the receiver's address, and the message. When the package arrives at the receiver's PC, it dumps the message into that PC and picks up any messages that receiver wishes to send on to other users.

All this happens at electronic speed. There is no host computer at the center of the loop.

IBM in May 1984 announced that it would introduce within two or three years a LAN system based on the token-ring technology that it helped develop in a committee of the Institute of Electrical and Electronics Engineers. ■

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